



ELECTRICITY
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Response to SEMC Consultation

Imperfections Charges October 2025 – September 2026

Electricity Association of Ireland

Status: Final

A decarbonised future powered by electricity.

Electricity Association of Ireland

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The Electricity Association of Ireland (EAI) is the representative body for the electricity industry and gas retail sector operating within the Single Electricity Market (SEM) on the island of Ireland.

Our membership comprises utilities that represent 90% of generation and retail business activities and 100% of distribution within the market. Our members range in size from single plant operators and independent suppliers to international power utilities. Our members have a significant presence in Ireland, Northern Ireland and Great Britain across the sector value chain. We represent the interests of the all-island market in all relevant jurisdictions, including the EU via our membership of the European electricity representative body Eurelectric.

We believe that electricity has a fundamental role in providing energy services in a decarbonised, sustainable future, in particular through the progressive electrification of transport and heating. We believe that this can be achieved, in the overall interest of society, through competitive markets that foster investment and innovation.

We promote this vision through constructive engagement with key policy, regulatory, technology and academic stakeholders both at domestic and EU levels.

Our ambition is to contribute to the realisation of a net-zero GHG emissions economy by 2050 or sooner, in order to limit the impact of rising temperatures. Electricity offers opportunities to decarbonise the Irish economy in a cost-effective manner.



Introduction

The Electricity Association of Ireland welcomes the opportunity to respond to this SEM Committee consultation on Imperfections Charges for October 2025 – September 2026 and the Reforecast Report for October 2023 – September 2024.

EAI recognises the increasing trend in Imperfections Charges that, as the consultation paper rightly notes, is observed across Europe and is not unique to SEM. EAI also notes the significant increase in the K-Factor for 24/25, the primary contributing factor to which is identified in the paper as non-forecast costs arising following the impact of storm Darragh.

EAI's response to this consultation focuses on the proposals of potential actions that the TSOs and RAs could take to minimise Imperfections Charges, including those listed in the consultation paper.

Imperfections Charge for 2025/26

EAI notes that the largest driver of the increase in imperfections for 2025/26 is listed as updated RES and interconnector capacities, with an inflationary impact of €104m. It would be useful if the consultation split out the impact of RES and interconnector capacities to better understand this driver.

Later in the paper, it is noted that the introduction of Greenlink has increased overall imports into the SEM. In EAI's response to the CRU's consultation on the Initial Project Assessment for MaresConnect, we identified that lack of detailed quantitative modelling of constraint costs was a key shortcoming of the analysis. That additional imports over Greenlink have played a significant role in the €104m inflationary impact is strong

evidence that the impact of additional interconnection on imperfections should be thoroughly considered in the cost-benefit analysis of future interconnection, including MaresConnect.

Consideration of Ways to Reduce Future Imperfections Costs

Section 5 of the paper reads as follows:

“One potential way to reduce imperfections costs in the future (relative to what they would otherwise be) would be to modify the Trading and Settlement Code so that only those units dispatched away from their Final Physical Notification (FPN) by the TSO for balancing energy reasons would be settled at the imbalance price. Units dispatched away from their FPN by the TSO for non-energy reasons, such as to meet a system constraint, would be settled on their complex Commercial Offer Data (COD) only. The SEM Committee is seeking stakeholders’ comments on potential actions the TSOs, RAs or SEM Committee could take to reduce Imperfections Costs in the SEM”.

The proposal to settle non-energy actions on complex COD only would represent a fundamental change to the market design of the SEM.¹ EAI is strongly opposed to such a significant change to the design of the SEM, on the basis that it could have significant negative knock-on impacts on the entire operation of the SEM.

The proposal would prevent participants providing system-critical balancing services from receiving the imbalance price that reflects the value of their actions. It would fundamentally change the incentives of the TSOs as it would reduce the cost of dispatching units away from their positions, which in turn undermines the value in the

¹ As explained and confirmed in the ETA Building Blocks Decision SEM-15-064 <https://www.semcommittee.com/files/semcommittee/media-files/SEM-15-064%20I-SEM%20ETA%20Markets%20Building%20Blocks%20Decision%20Papers.pdf>

signal for grid investment that imperfections provide. It would not be a prudent or appropriate response to address the increase in imperfections charges in the SEM.

There are a range of tangible actions that the SOs, RAs, and SEM Committee could take to reduce dispatch down that would not fundamentally alter the design of the SEM in the same manner. These include:

- Active reduction of constraints as required under Article 13(7) via active grid management and the roll-out of additional grid.
- Better economic incentives on the TSO in PR6, including upside and downside financial incentives, to reduce constraints on the system. Incentives on the TSO need to reflect their primary responsibility for reducing imperfections and a PR5 type incentive (reflected in PR6 also) on constraints management and reduction and transparency in progress, needs to be ardently pursued.
- The accelerated integration of constraint-reducing technologies via market enhancements and route-to-market support such as synchronous condensers, demand side response, and batteries including Long-Duration Energy Storage.
- The roll-out of hybrid sites and private wires to optimise renewable generation.
- Greater granularity in wind dispatch down rather than large, aggregated volumes.
- Ensuring that the SOs are sufficiently funded to enhance the resilience of the grid to extreme weather events.
- Full implementation of the SONI Dispatch Down Action Plan, and the establishment of a dispatch down action plan in RoI by Eirgrid. EAI will feed in solutions to this action plan via the dispatch down working group established as part of the SOEF Forum.

EAI urges the RAs to prioritise the implementation of the above alternative measures which will reduce system costs including imperfections and are crucial to the transition to an affordable, decarbonised energy system. Fundamental market changes would be an unhelpful and high-risk distraction from the important work that needs to be accelerated for the transition.

Imperfection Charge Fluctuations

Finally, EAI notes the trend for the imperfections charge to fluctuate over recent years - as set out in Figure 2 of the consultation paper, and the proposed 56% increase in Estimated Annual Bills for 25/26 as set out in the paper (that is in addition to increasing system and capacity charges that result from investing in a sustainable and secure system, and are also being seen internationally).

In particular, there has been more variance in imperfections charges over the past four years. This variance in the imperfection charges exposes the customer to high volatility. EAI believes there would be merit in carrying out a multi-annual calculation of the charges over a longer period e.g., looking at two or four years in advance. With a longer-term forecast approach, a decision could be taken to spread cost increases over a longer period thereby smoothing the charge across future years. This would mean the customer is exposed to far less volatility. This is consistent with the approach already taken in the case of gas tariffs. EAI would welcome engagement with RAs and the TSOs on this matter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Dara Lynott', positioned above a horizontal line.

Dara Lynott

CEO

Electricity Association of Ireland